

# SAMKO TIMBER LIMITED

Company Registration Number: 200517815M

## Unaudited Second Quarter Financial Statements and Dividend Announcement for the Period Ended 30 June 2016

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF SECOND QUARTER RESULTS

- 1(a) Consolidated statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3-month ended			6-month ended		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Revenue	783,537	843,475	(7)	1,666,835	1,649,008	1
Cost of sales	(741,213)	(723,809)	2	(1,549,864)	(1,414,091)	10
<b>Gross profit</b>	<b>42,324</b>	<b>119,666</b>	<b>(65)</b>	<b>116,971</b>	<b>234,917</b>	<b>(50)</b>
<b>Other items of income</b>						
Interest income	130	154	(16)	275	276	(0)
Other income	47,965	1,879	2,453	59,165	1,771	3,241
<b>Other items of expenses</b>						
Selling expenses	(30,624)	(40,477)	(24)	(71,844)	(74,693)	(4)
General & administrative expenses	(77,998)	(72,197)	8	(162,124)	(147,242)	10
Finance expenses	(29,700)	(21,039)	41	(55,162)	(40,941)	35
Other expenses	(15,097)	(49,340)	(69)	(20,887)	(78,185)	(73)
<b>Loss before tax</b>	<b>(63,000)</b>	<b>(61,354)</b>	<b>3</b>	<b>(133,606)</b>	<b>(104,097)</b>	<b>28</b>
<b>Taxation</b>	<b>7,224</b>	<b>(3,192)</b>	<b>n.m</b>	<b>10,720</b>	<b>(9,526)</b>	<b>n.m</b>
<b>Net loss for the period</b>	<b>(55,776)</b>	<b>(64,546)</b>	<b>(14)</b>	<b>(122,886)</b>	<b>(113,623)</b>	<b>8</b>
<b>Other comprehensive income:</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Net actuarial loss on post-employment benefits	(1,292)	(1,344)	(4)	(2,705)	(2,702)	0
<b>Items that may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation gain (loss)	(38)	3,845	n.m	6,700	124	5,303
<b>Total comprehensive income for the period</b>	<b>(57,106)</b>	<b>(62,045)</b>	<b>(8)</b>	<b>(118,891)</b>	<b>(116,201)</b>	<b>2</b>
<b>Net loss attributable to:</b>						
Owners of the Company	(54,731)	(64,536)	(15)	(121,061)	(113,988)	6
Non-controlling interests	(1,045)	(10)	10,350	(1,825)	365	n.m
	<b>(55,776)</b>	<b>(64,546)</b>	<b>(14)</b>	<b>(122,886)</b>	<b>(113,623)</b>	<b>8</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(56,057)	(62,030)	(10)	(117,064)	(116,550)	0
Non-controlling interests	(1,049)	(15)	6,893	(1,827)	349	n.m
	<b>(57,106)</b>	<b>(62,045)</b>	<b>(8)</b>	<b>(118,891)</b>	<b>(116,201)</b>	<b>2</b>

n.m : not meaningful

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The following items have been included in arriving at loss before tax:

	3-month ended			6-month ended		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	<i>Rp'million</i>	<i>Rp'million</i>	%	<i>Rp'million</i>	<i>Rp'million</i>	%
Interest expense	(28,350)	(18,506)	53	(52,181)	(37,183)	40
Depreciation of property, plant and equipment	(28,054)	(30,777)	(9)	(56,249)	(63,710)	(12)
Post employment benefits expenses	(13,307)	(9,871)	35	(26,796)	(19,742)	36
Workers separation expenses *)	(11,261)	-	n.m	(15,335)	-	n.m
Allowance for doubtful receivables	(1,582)	(2,299)	(31)	(1,623)	(2,657)	(39)
Amortisation of land use rights	(969)	(990)	(2)	(1,965)	(1,947)	1
Interest income	130	154	(16)	275	276	(0)
Gain on disposal of property, plant and equipment	162	153	6	308	166	86
Write-back of allowance for advance to suppliers	2,733	-	n.m	2,733	-	n.m
Gain (loss) on foreign exchange, net	3,559	(12,194)	n.m	12,522	(38,391)	n.m
Fair value gain of investment in PT SLJ Global Tbk	39,041	-	n.m	39,041	-	n.m
Inventories written-down	-	(30,239)	(100)	-	(30,239)	(100)
Amortisation of intangible assets	-	(331)	(100)	-	(659)	(100)

\*) Included in "Other expenses"

n.m : not meaningful

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**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	30/06/2016 <i>Rp'million</i>	31/12/2015 <i>Rp'million</i>	30/06/2016 <i>Rp'million</i>	31/12/2015 <i>Rp'million</i>
<b>Non-current assets</b>				
Property, plant and equipment	620,640	662,542	105	149
Investment in subsidiary companies	-	-	126,076	126,076
Investment in an associate <sup>(1)</sup>	-	-	-	-
Available for sale investment <sup>(1)</sup>	39,041	-	-	-
Biological assets	55,892	55,603	-	-
Land use rights	64,910	66,874	-	-
Deferred tax assets	84,674	65,316	-	-
Other non-current assets	44,224	31,986	-	9
	<b>909,381</b>	<b>882,321</b>	<b>126,181</b>	<b>126,234</b>
<b>Current assets</b>				
Inventories	482,048	567,975	-	-
Trade and other receivables	190,507	238,709	33,294	37,620
Prepaid operating expenses	81,257	74,849	582	447
Advances to suppliers	40,039	30,880	-	-
Restricted deposits	24,328	7,525	-	-
Cash and cash equivalents	81,160	91,075	1,980	2,411
	<b>899,339</b>	<b>1,011,013</b>	<b>35,856</b>	<b>40,478</b>
<b>Current liabilities</b>				
Trade and other payables	334,406	339,414	7,719	7,540
Other liabilities	116,060	125,719	2,902	3,636
Advances from customers	20,931	27,497	232	723
Provision for taxation	11,231	11,401	-	-
Loans and borrowings	644,174	536,239	-	-
	<b>1,126,802</b>	<b>1,040,270</b>	<b>10,853</b>	<b>11,899</b>
<b>Net current (liabilities) assets</b>	<b>(227,463)</b>	<b>(29,257)</b>	<b>25,003</b>	<b>28,579</b>
<b>Non-current liabilities</b>				
Loans and borrowings	396,615	456,644	-	-
Post-employment benefits	248,551	240,275	-	-
Deferred tax liabilities	67	569	-	-
	<b>645,233</b>	<b>697,488</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>36,685</b>	<b>155,576</b>	<b>151,184</b>	<b>154,813</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	2,188,645	2,188,645	2,188,645	2,188,645
Accumulated losses	(2,494,493)	(2,370,739)	(2,037,461)	(2,033,832)
Other reserves	333,513	326,823	-	-
	<b>27,665</b>	<b>144,729</b>	<b>151,184</b>	<b>154,813</b>
<b>Non-controlling interests</b>	<b>9,020</b>	<b>10,847</b>	<b>-</b>	<b>-</b>
	<b>36,685</b>	<b>155,576</b>	<b>151,184</b>	<b>154,813</b>

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### Notes:

- (1) Represents the Group's 24.6% investment in PT SLJ Global Tbk, a company quoted in Indonesia Stock Exchange (IDX). During the period, the Group re-designated its investment in this associate as investment in available for sales financial assets as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at fair value, determined based on the market price of the shares quoted in IDX as of 30 June 2016.

### (b)(ii) Aggregate amount of group's borrowings and debt securities.

#### Amount repayable in one year or less, or on demand

As at 30/06/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
604,524	39,650	536,239	-

#### Amount repayable after one year

As at 30/06/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>	<i>Rp'million</i>
396,615	-	456,644	-

#### Details of collaterals

As at 30 June 2016, our bank borrowings are secured by the following:

- (1) Land use rights, buildings, machinery and equipment, inventories, account receivables, collection and restricted deposits of a subsidiary, and corporate guarantees from the Company and certain subsidiaries of the Company. The loan facilities from our major lenders also include a clause demanding mandatory repayment of all the loan facilities if (i) there is any reduction in direct and/or indirect shareholding interests of PT Sumber Graha Sejahtera ("PT SGS") by Sampoerna Strategic Group, or (ii) the representatives appointed by Sampoerna Strategic Group are no longer present in PT SGS; or (iii) Mr Putera Sampoerna and his family is directly or indirectly no longer the controlling ultimate beneficiary owner of PT SGS and the Company. All other assets of the subsidiaries are on negative pledge to the financial institution and some restriction on dividend payment is imposed; and
- (2) All assets acquired under finance leases are secured against the assets under lease.

A subsidiary of the Company has not met certain financial covenant ratios set out in the loan agreement with one of its lenders. To-date, the subsidiary has not defaulted on any loan repayment, interest payment and utilization of the loan facilities is as normal. As at the date of this announcement, the lender has granted the subsidiary a temporary waiver to those covenants. The waiver is given, on the condition that dividends cannot be declared so long the breach is continuing. The lender continues to monitor the performance of the subsidiary and reserves its rights to vary the terms.

During the period, the Group secured a new Rp60 billion bank loan facility from a new lender. The existing lenders have given their consent for the Group to use this bank loan facility on condition if there is no improvement in the results by 3rd quarter 2016, the Group will procure an increase of the equity capital of the relevant subsidiary.

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## 1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	6-month ended	
	30/06/2016	30/06/2015
	<i>Rp'million</i>	<i>Rp'million</i>
<b>Cash flows from operating activities</b>		
Loss before tax	(133,606)	(104,097)
Adjustments:		
Depreciation of property, plant and equipment	56,249	63,710
Interest expense	52,181	37,183
Post-employment benefits expense	26,796	19,742
Amortisation of land use rights	1,965	1,947
Allowance for doubtful receivables	1,623	2,657
Interest income	(275)	(276)
Gain on disposal of property, plant and equipment	(308)	(166)
Write-back of allowance for advance to suppliers	(2,733)	-
Foreign exchange (gain) loss	(17,238)	33,007
Fair value gain of investment in PT SLJ Global Tbk	(39,041)	-
Inventories written-down	-	30,239
Amortisation of intangible assets	-	659
<b>Operating cash flow before changes in working capital</b>	<b>(54,387)</b>	<b>84,605</b>
<b>Changes in working capital :</b>		
Inventories	85,927	(66,323)
Trade and other receivables	46,579	9,138
Prepaid operating expenses	(16,258)	(16,288)
Advances to suppliers	(6,426)	6,811
Trade and other payable	(5,008)	33,811
Other liabilities	(18,691)	(7,127)
Advance from customers	(6,566)	528
Other non-current assets	171	49
<b>Cash flow provided by operations</b>	<b>25,341</b>	<b>45,204</b>
Income tax paid, net of refund	(11,025)	(24,854)
Post-employment benefit paid	(12,163)	-
<b>Net cash flows provided by operating activities</b>	<b>2,153</b>	<b>20,350</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (Note (i))	(15,065)	(57,235)
Additions of biological assets	(289)	(2,091)
Proceeds from disposal of property, plant and equipment	713	166
Interest received	275	276
Additions of land use rights	-	(2,179)
<b>Net cash flows used in investing activities</b>	<b>(14,366)</b>	<b>(61,063)</b>

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Group	6-month ended	
	30/06/2016	30/06/2015
	<i>Rp'million</i>	<i>Rp'million</i>
<b>Cash flows from financing activities</b>		
Drawdown of loans and borrowings	1,045,036	1,074,855
Repayment of loans and borrowings	(1,016,887)	(1,044,265)
Interest paid	(47,512)	(33,071)
Placement of restricted deposits	(16,979)	-
Withdrawal of restricted deposits	-	301
	<hr/>	<hr/>
<b>Net cash flows used in financing activities</b>	<b>(36,342)</b>	<b>(2,180)</b>
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(48,555)	(42,893)
Effect of exchange rate changes on cash and cash equivalents	(1,010)	2,311
Cash and cash equivalents at beginning of period	91,075	107,073
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>41,510</b>	<b>66,491</b>
	<hr/> <hr/>	<hr/> <hr/>

For the purpose of presenting the consolidated statement of cash flow, the consolidated cash and cash equivalent comprise the followings:

Cash and cash equivalents	81,160	66,491
Less: Bank overdraft	(39,650)	-
	<hr/>	<hr/>
	<b>41,510</b>	<b>66,491</b>
	<hr/> <hr/>	<hr/> <hr/>

Notes:

**(i) Purchase of property, plant and equipment**

Property, plant and equipment were purchased by:

- Cash payment	15,065	57,235
- Reclassification of advances made for the purpose of property, plant and equipment	-	19,210
- Advances for purchase of property, plant and equipment	(621)	-
- Finance lease	324	560
	<hr/>	<hr/>

	<b>14,768</b>	<b>77,005</b>
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- 1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Accumulated losses	Restructuring reserves	Foreign currency translation reserve	Total		
	Rp'million	Rp'million	Rp'million	Rp million	Rp'million		
<b>Balance at 1 Jan 2016</b>	2,188,645	(2,370,739)	309,050	17,773	144,729	10,847	155,576
Loss for the period	-	(121,061)	-	-	(121,061)	(1,825)	(122,886)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(2,693)	-	-	(2,693)	(12)	(2,705)
- Foreign currency translation gain	-	-	-	6,690	6,690	10	6,700
	-	(2,693)	-	6,690	3,997	(2)	3,995
Total comprehensive income for the period	-	(123,754)	-	6,690	(117,064)	(1,827)	(118,891)
<b>Balance at 30 Jun 2016</b>	<b>2,188,645</b>	<b>(2,494,493)</b>	<b>309,050</b>	<b>24,463</b>	<b>27,665</b>	<b>9,020</b>	<b>36,685</b>
<b>Balance at 1 Jan 2015</b>	2,188,645	(1,896,810)	309,050	3,198	604,083	9,418	613,501
(Loss) profit for the period	-	(113,988)	-	-	(113,988)	365	(113,623)
Other comprehensive income for the period:							
- Net actuarial loss on post-employment benefits	-	(2,688)	-	-	(2,688)	(14)	(2,702)
- Foreign currency translation gain (loss)	-	-	-	126	126	(2)	124
	-	(2,688)	-	126	(2,562)	(16)	(2,578)
Total comprehensive income for the period	-	(116,676)	-	126	(116,550)	349	(116,201)
<b>Balance at 30 Jun 2015</b>	<b>2,188,645</b>	<b>(2,013,486)</b>	<b>309,050</b>	<b>3,324</b>	<b>487,533</b>	<b>9,767</b>	<b>497,300</b>

Company	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total
	Rp'million	Rp'million	Rp'million
Balance at 1 Jan 2016	2,188,645	(2,033,832)	154,813
Total comprehensive income for the period	-	(3,629)	(3,629)
<b>Balance at 30 Jun 2016</b>	<b>2,188,645</b>	<b>(2,037,461)</b>	<b>151,184</b>
Balance at 1 Jan 2015	2,188,645	(1,533,331)	655,314
Total comprehensive income for the period	-	(750)	(750)
<b>Balance at 30 Jun 2015</b>	<b>2,188,645</b>	<b>(1,534,081)</b>	<b>654,564</b>

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's shares during the period ended 30 June 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>Number of shares</u>
At 30 June 2016 and 31 December 2015	1,401,445,464

There were no shares held as treasury shares as at 30 June 2016 and 31 December 2015.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable, as there were no shares held as treasury shares as at 30 June 2016 and 31 December 2015.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditor.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the new and revised accounting standards which came into effect for the financial year beginning 1 January 2016 and has applied the same accounting policies and methods of computation as those of the previous financial year ended 31 December 2015, save as disclosed below. The adoption of the new and revised accounting standards has no material impact on the financial statements of the Group and the Company for the period ended 30 June 2016. Consistent with the prior year's accounting policy, the Group appraises the fair value of its biological assets only at the end of the financial year.

During the period, the Group re-designated its investment in associate (PT SLJ Global Tbk) as investment in available for sales financial assets as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at fair value, determined based on the market price of the shares quoted in IDX as of the balance sheet date.



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5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to point 4.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Group	3-month ended		6-month ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Weighted average number of ordinary shares for basic earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Weighted average number of ordinary shares for diluted earnings per share computation	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
	Rp (full amount)	Rp (full amount)	Rp (full amount)	Rp (full amount)
<b>Earnings per share attributable to owners of the Company</b>				
Basic and diluted	(39)	(46)	(86)	(81)

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.

	Group		Company	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Net assets for the period attributable to owners of the Company used in computation of net asset value per share (Rp'million)	27,665	144,729	151,184	154,813
Number of ordinary shares at the end of the period	1,401,445,464	1,401,445,464	1,401,445,464	1,401,445,464
Net asset value per ordinary share (Rp full amount)	20	103	108	110

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### 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

#### (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors

Our Group reported a net loss of Rp123 billion in 1H 2016 as compared to Rp114 billion in 1H 2015. The losses came mainly from higher unit production costs as production volume declined, increased in raw material costs, interest expense and remuneration expenses. The higher production costs and operating expenses in 1H 2016 have more than offset the absence of exchange losses and inventories write down in 1H 2016.

The Group reported a net loss of Rp56 billion in 2Q 2016. The performance was affected mainly by the same factors as mentioned above.

#### Revenue

	3-month ended			6-month ended		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Domestic sales	498,654	512,164	(3)	1,098,925	1,034,376	6
Export sales	284,883	331,311	(14)	567,910	614,632	(8)
Total	783,537	843,475	(7)	1,666,835	1,649,008	1

Our domestic sales increased by 6% to Rp1,099 billion in 1H 2016. The increase was mainly due to improvement in the sales volume. Our export sales, however, decreased by 8% to Rp568 billion caused mainly by lower sales volume. Average selling prices for both domestic and export markets were relatively stable.

In 2Q 2016, our average selling prices improved by 4% and 9% for both domestic and export markets respectively. The improvement in the selling prices, however, was insufficient to cushion the decrease in the sales volume for local and export markets of 7% and 21% respectively. Hence, the overall sales revenue decreased by 7%.

#### Gross profit

Our gross profit decreased by 65% and 50% in 2Q and 1H 2016 respectively. This was mainly due to higher unit production costs as production volume declined, increased in raw material costs and lower sales revenue from export products.

#### Other Income

Other income came mainly from:

1. exchange gain of Rp4 billion - the weakening of US dollar has resulted in mainly unrealised foreign exchange gain from translation of our US dollar denominated loans;
2. write-back of allowance for advance to suppliers of Rp3 billion; and
3. fair value gain of investment in PT SLJ Global Tbk of Rp39 billion - during the period, the Group re-designated its investment in this associate as investment in available for sales financial assets as the Group no longer has significant influence over the associate's financial and operating policies. The investment is being carried at fair value, determined based on the market price of the shares quoted in IDX as of 30 June 2016.

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### Selling expenses

In 2Q 2016, the decrease in the selling expenses came mainly from the decrease in the freight costs, due to lower export sales. Freight costs decreased by Rp8 billion compared to 2Q 2015. Lower selling expenses in 1H 2016 due mainly to lower advertising costs.

### General and administration (“G&A”) expenses

Our G&A expenses have increased over that of previous periods. This was due mainly to increase in staff related costs and higher provision for pension costs compared to previous periods.

### Finance Expenses

Our finance expenses relate mainly to interest expense. The increase was mainly due to drawdown of additional loans for working capital.

### Other expenses

Included in other expenses for 2016 were mainly workers separation expenses while other expenses in 2015 came mainly from foreign exchange loss. The Group began its cost cutting exercise in 1Q 2016.

### Taxation

Our tax expenses comprise the following:

	3-month ended			6-month ended		
	30/06/2016	30/06/2015	Change	30/06/2016	30/06/2015	Change
	Rp'million	Rp'million	%	Rp'million	Rp'million	%
Current income tax	(3,991)	(6,636)	(40)	(8,917)	(16,908)	(47)
Deferred income tax	11,215	4,668	140	19,637	8,765	124
Under provision of prior periods taxes	-	(1,224)	(100)	-	(1,383)	(100)
Total	<u>7,224</u>	<u>(3,192)</u>	<u>n.m</u>	<u>10,720</u>	<u>(9,526)</u>	<u>n.m</u>

Indonesia adopts individual company income tax system.

Our effective tax rate was not aligned with statutory tax rate due mainly to certain expenses not deductible for tax purposes and losses of certain subsidiaries not recognized as deferred tax assets due to the uncertainty of its recovery.

- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### Statement of Financial Position

The Group's property, plant and equipment decreased by Rp42 billion. This was due mainly to depreciation charges incurred during the period more than offset the acquisition of new assets amounted to Rp15 billion.

Investment in available for sales financial assets relates to re-designation of investment in associate, PT SLJ Global Tbk. See section 4 above.

Deferred tax assets increased by Rp19 billion. This came mainly from provision of deferred tax assets from certain loss making subsidiaries.

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Other non-current assets increased by Rp12 billion. This was mainly due to increase in estimated tax refundable.

In 1Q 2016, our Group's current assets have decreased by Rp112 billion to Rp899 billion.

The decrease was due mainly to:

- 1) lower trade receivables. This came mainly from lower domestic trade receivables;
- 2) lower inventory level as production volume decreased; and
- 3) decrease in VAT receivables and prepayment of corporate income tax. The decrease in VAT receivables was mainly due to lower spending on capital expenditure and timing differences in the recovery of the VAT receivables. Prepayment of corporate income tax reduced because of lower taxable income in certain subsidiaries.

the decrease in the above has more than offset mainly the followings:

- 1) higher advances to suppliers for logs and veneer purchases, and spareparts. Total advances increased by Rp8 billion and Rp1 billion, respectively; and
- 2) prepaid operating expenses for thirteen month bonus amortised until end of 2016 amounted to Rp16 billion.

As at 30 June 2016, our Group's current liabilities have increased by Rp87 billion to Rp1,127 billion. This was contributed mainly by the increase in the short-term borrowings as well as long-term borrowings due within 12 months totaling Rp108 billion, offset by decrease in VAT payables, advances from customers and accruals as a result of lower sales in 2Q 2016;

For the same period ended, the non-current liabilities have decreased by Rp52 billion. This was mainly due to decrease in loans and borrowings - mainly due to foreign exchange translation gain effect and reclassification of loans to current liabilities for loans due within 12 months.

### ***Statement of Cash Flow***

During the period, the Group reported cash outflow of Rp14 billion and Rp36 billion from investing and financing activities respectively and derived Rp2 billion from operating activities. Net cash decreased by Rp49 billion.

Our cash used in operations was lower than the previous period. This attributable mainly due to better debtors and inventories turnover as compared to 2Q 2015. Our cash flow from operations, however, was affected by lower gross profit attained.

Our cash used in the investing activities were mainly for acquisitions of property, plant and equipment.

Our cash flow in the financing activities relates mainly to net repayment of loans interests. The repayments of bank borrowings and its interests were in accordance with the repayments schedule.

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**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

- 1) The Group has US dollar borrowings, where the risk of foreign exchange fluctuation may materially affect the Group's results (positively or negatively depending on, *inter alia*, the direction of the fluctuation). Although the risk may be mitigated by our US dollar export sales (thus providing the natural hedging to the foreign currency fluctuation exposure), we illustrate below the sensitivity impact of our US dollar borrowings to our net loss arising from the possible change in the US exchange rate, assuming all other variables are held constant with tax rate of 25% in Indonesia:

Indonesia Rupiah to US Dollar exchange rates	(Weakened) / strengthened	Loss after tax for the period
		Rp123 billion
		(Increase)/ decrease
<i>Rp/full amount</i>		Rp'million
14,169	(7.5%)	(31,457)
13,839	(5.0%)	(20,971)
13,510	(2.5%)	(10,486)
12,851	2.5%	10,486
12,521	5.0%	20,971
12,192	7.5%	31,457

Our US\$ loans as at 30 June 2016 US\$ 42 million.

Exchange rate:	<u>Rp/US\$1</u>
- 12 August 2016	Rp13,120
- 30 June 2016	Rp13,180
- 31 December 2015	Rp13,795
- 30 June 2015	Rp13,332

- 2) The current unfavourable business environment continues to affect our profitability and liquidity position. We are experiencing tight liquidity and this will adversely impact our production capacity and consequently our performance. We plan to raise funding through additional equity and debts and disposal of non-productive assets to strengthen the liquidity position in the near term.
- 3) Our costs cutting measure is continuing and our performance will be affected by these significant non-ordinary expenses. We believe we will benefit from this in the long term, however, we remain cautious of the rising production costs. We will take further actions to mitigate the costs pressure and strive to remain competitive.
- 4) Slow down in the Indonesian economy may affect the demand for our products locally. We expect, however, government and private spending on the infrastructure projects in Indonesia will spur the local economy and hence cushion the lower demand. Our export sales may be adversely affected due to weak global economy and depreciation of currencies in certain export markets. We will strive to diversify our markets to reduce such risks.

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### 11. Dividend.

#### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No dividend will be declared in the current period being reviewed.

#### (b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

#### (c) Date payable

Not applicable.

#### (d) Books closure date

Not applicable.

### 12. If no dividend has been declared/recommended, a statement to that effect.

No dividend for financial period ended 30 June 2016 has been declared.

### 13. Interested person transactions.

The Company does not have a shareholders' mandate under Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited. The following is the aggregate value of all transactions with interested persons for the second quarter ended 30 June 2016:

<i>Name of interested person</i>	<i>Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted during the financial period under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>
	<i>Rp'million</i>	<i>Rp'million</i>
PT Pelayaran Nelly Dwi Putri <i>Freight expenses</i>	3,241	-
PT Sampoerna Land <i>Office rental</i>	2,629	-
PT Wahana Sekar Agro <i>Cooperation for cultivation of trees</i>	308	-
PT Bank Sahabat Sampoerna <i>Interest expenses</i>	443	-

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Certain Sunarko family members are substantial shareholders of PT Pelayaran Nelly Dwi Putri Tbk (a listed company in Indonesia). They are also substantial shareholders and directors of the Company.

PT Sampoerna Land, PT Wahana Sekar Agro and PT Bank Sahabat Sampoerna are controlled by the Sampoerna family, who are substantial shareholders of the Company.

### **14. Statement by Directors pursuant to Rule 705(5) of the SGX Listing Manual**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Directors which may render the unaudited financial statements for the second quarter ended 30 June 2016 to be false or misleading in any material aspect.

### **15. Confirmation Pursuant to Rule 720(1) of the Listing Manual**

The Company has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

### **BY ORDER OF THE BOARD**

Riko Setyabudhy Handoko  
Executive Director and Chief Executive Officer  
12 August 2016